

**Education Cabinet**

**Kentucky Board of Education**

**Department of Education**

**(Amendment)**

**702 KAR 3:270. SEEK funding formula.**

RELATES TO: KRS 156.035, 156.070, 157.320 ~~[(9)]~~, 157.360, 157.370, 157.410,  
157.430, 157.440, 157.620, 158.135, 160.470, 160.476

STATUTORY AUTHORITY: KRS 156.070, 156.160

NECESSITY, FUNCTION, AND CONFORMITY: KRS 156.035 and 156.070 set forth the Kentucky Board of Education's plenary powers over the management and control of local school districts and disbursement of state appropriations. KRS 156.160 requires the Kentucky Board of Education to promulgate administrative regulations for the preparation of budgets and salary schedules for the school districts under its management and control. KRS 157.320 defines average daily attendance. KRS 157.360 and 157.370 describe the Support Education Excellent in Kentucky (SEEK) base funding formula. KRS 157.410 sets forth the schedule of payments of SEEK funds to school districts. KRS 157.430 authorizes percentage reductions in SEEK allotments if insufficient funds are appropriated by the General Assembly. KRS 157.440 sets forth the requirements for state equalization for Tier I and the Facilities Support Program of Kentucky, exempts tax levies made for these programs from the hearing and recall provisions of KRS 160.470, authorizes districts to maintain the level of tax effort made in 1989-90, and sets forth the Tier II maximum tax

1 levy. KRS 157.620 sets forth the requirements for school district participation in the  
 2 School Facilities Construction Commission funding program. KRS 158.135 defines State  
 3 Agency children. KRS 160.470 sets forth the required minimum local tax effort and  
 4 defines equivalent tax rate. KRS 160.476 permits school districts to restrict funds for  
 5 building purposes. This administrative regulation is necessary to provide guidelines for the  
 6 calculations to distribute the funds to school districts through the program to Support  
 7 Education Excellence in Kentucky (SEEK).

8 Section 1. Definitions. (1) "At-risk student amount" means fifteen (15) percent of the per  
 9 pupil guaranteed base funding amount calculated pursuant to KRS 157.360~~(4)~~ times the  
 10 average daily membership of students approved ~~[of the highest number of approved~~  
 11 ~~applications]~~ for free meals ~~[in each of the eight (8) months (September through May~~  
 12 ~~excluding December) of]~~ the prior fiscal year and times the number of state agency  
 13 children served pursuant to KRS 158.135.

14 (2) "Calculated Base SEEK Funding" means the guaranteed base funding provided in the  
 15 biennial budget pursuant to KRS 157.360(1) plus the add-on components of the SEEK  
 16 calculation including at-risk, home and hospital, exceptional children and transportation per  
 17 KRS 157.360(2) and the add-on calculation for students with Limited English Proficiency.

18 (3) "Collection rate" means the tax receipts collected for the prior year divided by the  
 19 maximum revenue collectible. The maximum revenue collectible shall be the prior year's  
 20 permissive tax revenue plus the levied rates per \$100 of assessed value for real and tangible  
 21 property and motor vehicles times the prior year assessment of real and tangible property  
 22 and motor vehicles.

(4) [~~"Debt service outstanding" means the amount of debt service in excess of eighty (80)~~  
~~percent of the allotment for the capital outlay component of SEEK plus the local revenue~~  
~~generated by the five (5) cent equivalent tax levy required to participate in the Facility~~  
~~Support Program of Kentucky under KRS 157.620(1)(a).~~

(5) "Exceptional child amount" means the December 1 exceptional child count of the  
preceding fiscal year by exceptionality weighted as follows:

(a) 2.35 times the per pupil base funding amount calculated pursuant to KRS 157.360(1)  
for students with severe disabilities;

(b) 1.17 times the per pupil base funding amount calculated pursuant to KRS 157.360(1)  
for students with moderate disabilities; and

(c) .24 times the per pupil base funding amount calculated pursuant to KRS 157.360(1) for  
students with communications disabilities.

(6) [~~(5)~~] "Growth" means the percent change in the second month average daily attendance  
times the prior year adjusted average daily attendance.

(7) [~~(6)~~] "LEP" means Limited English Proficiency.

(8) "Home and hospital instruction amount" means the total of the prior year's home and  
hospital average daily attendance times the per pupil base funding amount calculated  
pursuant to KRS 157.360(1), less the allotment for capital outlay as set forth in the Biennial  
Budget.

(9) "Levied equivalent tax rate" means estimated permissive tax revenue plus the current  
year's levied real estate tax rate, tangible tax rate and motor vehicle tax rate per \$100 of  
assessed value times the current year's assessment of real estate, tangible property and

motor vehicles times the prior year's collection rate divided by the total current year's property and motor vehicle assessment.

(9) "Net General Fund SEEK" means Total State SEEK minus any allocation for Capital Outlay.

~~(10) [(9) "Release time" means regularly scheduled time missed by students with school district approval.]~~ "Partial Day" means a day containing less time than a regular school day which a student attends on a regular basis as approved by the local board of education.

~~[(10) "Shared time average daily attendance" means the average daily attendance for nonresident students who attend the district's schools on a part time basis while enrolled in another district or nonpublic school.]~~

(11) "State equalization amount" means 150 percent of the statewide average per pupil property assessment as provided in the biennial budget.

(12) [(11)] "Tier I revenue" means revenue produced by a school district tax levy which, when equalized by state funds with the state equalization amount established by KRS 157.440(1)(a), generates up to the maximum revenue allowable under KRS 157.440(1)(a).

~~[(13) "Tier II revenue" means revenue produced by a school district tax levy above the Tier I tax levy which generates no more than the maximum revenue allowable under KRS 157.440(2).]~~

(13) [(14)] "Transportation funding" means prior fiscal year calculated transportation costs for students in grades primary through twelve (12) transported by school districts as calculated [by the Division of Pupil Transportation, Department of Education,] pursuant to KRS 157.370 and 702 KAR 5:020 adjusted by current year second month growth in transported students.

~~[(15) "Vocational educational deduct" means a deduct factor to be applied against the per pupil guaranteed base funding in those instances where a student spends a portion of the school day at a state-operated vocational center.]~~

Section 2. SEEK Calculation Formula. (1) Required data for the SEEK calculation shall include:

(a) Property assessments from the Department of ~~[Property Taxation,]~~ Revenue ~~[Cabinet]~~ provided pursuant to KRS 160.470(5);

(b) Tax rates levied by school districts;

(c) Equivalent tax rates based on tax levies;

(d) Home and hospital average daily attendance reported on the Superintendent's Annual Attendance report (SAAR); ~~[by the Pupil Attendance Branch, Division of Finance, Department of Education;]~~

(e) Prior year adjusted average daily attendance (AADA) reported on the SAAR ~~[by the Pupil Attendance Branch, Division of Finance, Department of Education]~~ (calculated according to the formula in subsection (3) of this section);

(f) The growth factor report ~~[from the Pupil Attendance Branch, Division of Finance, Department of Education];~~

(g) Transportation funding calculated pursuant to KRS 157.370 and 702 KAR 5:020 ~~[reported by the Division of Pupil Transportation, Department of Education];~~

(h) The prior year average daily membership of students approved for free lunch ~~[number of at-risk students]~~ reported through the student information system ~~[by the Division of School and Community Nutrition, Department of Education];~~

(i) The number of exceptional students ages five (5) through twenty (20) in each disability category on December 1 of each year as reported through the student information system

~~[by the Division of Exceptional Children Services, Department of Education];~~

(j) The number of LEP students as reported through the student information system

~~[Vocational education average daily attendance reported by the Pupil Attendance Branch, Division of Finance, Department of Education]; and~~

(k) The state equalization amount as provided in the biennial budget.

(2) Assumptions used in the SEEK calculation shall include:

(a) Equivalent tax rates (ETR) shall be the lower of the ETR levied in the prior odd numbered year under KRS 157.440 ~~[(1)(a)]~~ and the current year;

(b) Adjusted average daily attendance (AADA) plus growth shall be the prior year AADA plus the second month's percent attendance growth times prior year AADA; and

(c) Percentage reduction in the allotments may be made to at-risk student, exceptional child, LEP, and home and hospital instruction amounts and to the state portion of Tier I funding and to transportation funding due to appropriations in the biennial budget.

(3) A district which is experiencing continued increases in average daily attendance after the second month may appeal for a recalculation of growth by submitting an application to the Department of Education. Any adjustments in SEEK allotments approved pursuant to an appeal shall be proportional to the remaining days in the school year and subject to available funds allocated for this purpose.

(a) A district shall meet the following criteria in order to receive an adjustment in SEEK under this subsection:

- 1 1. The ADA for any twenty (20) consecutive student instructional days following the
- 2 second month of the current school year shall be greater than the AADA plus growth as
- 3 described above in subsection (2)(b);
- 4 2. Application of maximum class size standards in KRS 157.360 to the ADA established in
- 5 (3)(a)(1) shall require additional staff in excess of the number employed at the end of the
- 6 second month of the current school year;
- 7 3. The district shall describe how any additional allotment received under this subsection
- 8 will be used; and
- 9 4. If approved for an additional allotment, the district shall document how the additional
- 10 allotment was expended. Failure to provide documentation according to the approved plan
- 11 shall result in a proportional prior-year adjustment to the SEEK allocation in the ensuing
- 12 school year for any allotment distributed under this subsection in the current year.
- 13 (b) Adjustments to the SEEK allotment under this subsection shall be calculated as follows:
- 14 1. Net General Fund SEEK calculated using the ADA figure established in subsection
- 15 (3)(a)(1) in place of prior year AADA plus growth minus
- 16 2. Net General Fund SEEK calculated following normal procedures using prior year
- 17 AADA plus growth divided by
- 18 3. The number of certified classroom staff contract days in the district's full school year
- 19 calendar times
- 20 4. The number of certified classroom staff contract days remaining in the district's school
- 21 year calendar on the date the changes described in subsection (3)(a)(3) are implemented.
- 22 (c) The amount calculated in subsection (3)(b) shall be distributed in approximately equal
- 23 installments with SEEK distributions remaining after the amount has been determined.

(d) If a district makes an appeal under this subsection subsequent to having previously received an adjustment under this subsection, previously approved adjustments shall be added to the amount used in step (3)(b) 2. of the calculation in this subsection.

(4) [(3)] AADA shall be calculated for students in grades primary through twelve (12) as follows:

(a) Average daily attendance (ADA) as provided in KRS 157.320 [shall be the aggregate days attendance as reported by local school districts divided by the number of school days taught as reported by local school districts].

(b) Adjusted average daily attendance shall be:

1. The ADA minus [plus];

2. The [shared time ADA as reported by local school districts minus;

3. The] ADA for noncontract, nonresident students as reported by local school districts [minus];

[4. The release time as reported by local school districts minus;]

3. [5:] One-half (1/2) of the total aggregate kindergarten days attendance [as reported by local school districts] divided by the number of days taught; and [minus]

4. [6:] The ADA for over-age students and under-age students not qualified for funding pursuant to 702 KAR 7:125 plus [as reported by local school districts.]

5. The ADA for virtual school and performance based learning.

(5) [(4)] The SEEK calculation shall be determined as follows:

(a) Calculated Base SEEK Funding shall be:

1. The per pupil guaranteed base funding amount calculated pursuant to KRS 157.360(1) times;



1 2. The prior year AADA plus growth plus;

2 3. The at-risk student amount plus;

3 4. The exceptional child amount plus;

4 5. The home and hospital instruction amount plus;

5 6. The transportation funding plus;

6 7. The LEP student amount.

7 (b) The Calculated ~~[total]~~ State SEEK Portion ~~[base]~~ shall be the Calculated Base SEEK  
8 Funding minus the local effort required pursuant to KRS 160.470(12)(a).

9 (c) The Total State SEEK funding amount shall be:

10 1. The Calculated ~~[total]~~ SEEK Portion ~~[base]~~ plus;

11 2. The total state Tier I funding (in accordance with subsection (6) of this section) plus  
12 ~~[minus]~~;

13 3. The Accessible Assessment ~~[vocational education deduct]~~ amount (in accordance with  
14 subsection (8) ~~[(7)]~~ of this section) plus;

15 4. The hold harmless provision if provided in the biennial budget plus;

16 5. The prior year adjustments (if any) minus;

17 6. The pro rata adjustments under KRS 157.430 (if any).

18 (6) ~~[(5)]~~ The formula for the maximum Tier I equivalent tax rate allowable per KRS  
19 157.440(1)(a) shall be ~~[guaranteed base funding per KRS 157.360(1)]~~:

20 (a) The guaranteed base funding amount calculated pursuant to KRS 157.360(1) plus;

21 (b) The calculated at-risk, exceptional child, home and hospital, LEP, and transportation  
22 amounts times;

23 (c) Fifteen (15) percent divided by;

(d) The greater of the state equalization amount and the local district per pupil assessment.

~~(7)~~ [(6)] State Tier I ~~[and Tier II]~~ funding formula ~~[formulas]~~.

(a)1. The total Tier I revenue shall be the total Calculated Base SEEK Funding pursuant to KRS 157.360 times the maximum Tier I participation of fifteen (15) percent pursuant to KRS 157.440(1)(a);

2. The total per pupil Tier I revenue shall be the total Tier I revenue divided by the prior year AADA plus growth;

3. The state portion per pupil Tier I funding shall be the total per pupil Tier I revenue minus the per pupil local portion Tier I (school district's per pupil assessment divided by the state equalization amount times total per pupil Tier I revenue);

4. The total state Tier I funding shall be:

a. The state portion per pupil Tier I funding times;

b. The prior year AADA plus growth minus;

c. The pro rata adjustments due to appropriation in the biennial budget.

(b) For local districts which have not levied at or above the maximum Tier I equivalent tax rate under KRS 157.440(1)(a), the state Tier I funding formula shall be as follows:

1. The levied Tier I equivalent tax rate shall be the levied equivalent tax rate minus the required minimum ~~[thirty (30) cents]~~ equivalent tax rate under KRS 160.470~~[(12)(a)]~~ and ~~[five (5) cents levy under]~~ KRS 157.620(1)(a) and other equivalent tax rates restricted to the building fund as authorized by the General Assembly;

2. The per pupil total Tier I revenue shall be the levied Tier I equivalent tax rate times the state equalization amount;

3. The state portion per pupil Tier I funding shall be the per pupil total Tier I revenue minus the per pupil local portion Tier I (school district's per pupil assessment divided by the state equalization amount times total per pupil Tier I revenue);

4. The total state Tier I funding shall be:

a. The state portion per pupil Tier I funding times;

b. The prior year AADA plus growth minus;

c. The pro rata adjustments due to appropriation in the biennial budget.

~~[(e) The Tier II local revenue (not subject to state equalization) shall be calculated as follows:~~

~~1. The levied equivalent tax rate minus;~~

~~2. The required minimum thirty (30) cents equivalent tax rate under KRS 160.470(12)(a), the five (5) cents levy under KRS 157.620(1)(a), and the maximum Tier I equivalent tax rate times;]~~

~~[3. The total district assessment of property and motor vehicles.]~~

(8) [(7)] While an amount less than zero (0) shall not be used, the Accessible Assessment amount [vocational education (voc ed) deduct formula] shall be calculated as follows:

(a) The required minimum thirty (30) cents equivalent tax rate (KRS 160.470 (9)(a)) times the current year total property assessment minus [per pupil deduct amount shall be:];

(b) The required minimum thirty (30) cents equivalent tax rate (KRS 160.470 (9)(a)) times the prior year total property assessment increase by four percent (4%) plus

~~[1. The total state SEEK base divided by;]~~

(c) One-half of the amount calculated in this section for the prior year, provided the result is equal to or greater than two percent (2%) of the current year Calculated State SEEK Portion.

~~[2. The calculated base SEEK funding times;]~~

~~3. The per pupil guaranteed base funding amount calculated pursuant to KRS 157.360(1) times;]~~

~~4. The voc-ed deduct percentage as provided for in the biennial budget.]~~

~~(b) The total voc-ed deduct amount shall be the per pupil deduct amount times the voc-ed ADA.]~~

Section 3. Calculation of state equalization for the Facilities Support Program of Kentucky (FSPK) and other equalized levies restricted to the building fund ~~[Calculation]~~.

(1) Data required for the equalization ~~[FSPK calculation]~~ formula shall include:

(a) Property assessments from the Department of ~~[Property Taxation,]~~ Revenue ~~[Cabinet]~~, as required by KRS 160.470~~[(5)]~~;

(b) Equivalent tax rates based on tax levies from school districts;

(c) Prior year AADA ~~[as reported by the Pupil Attendance Branch, Division of Finance, Department of Education]~~;

(d) Total annual debt service for school building revenue bonds; and

(e) State equalization amount.

(2) Assumptions used in the FSPK calculation shall include:

(a) A school district shall not receive state equalization funds until the full ~~[five (5) cent]~~ equivalent tax required for participation has been levied;

1 (b) A school district which has levied the required [~~a five (5) cent~~] equivalent tax for  
 2 building purposes under KRS 157.620[(1)(a)] shall qualify to receive state equalization  
 3 funding when the district's outstanding debt service as of October 1 of each odd-numbered  
 4 year is within \$10,000 of the required amount; and

5 (c) A school district's eligibility for participation in the FSPK program shall be based on  
 6 prior year AADA. State equalization funds shall be calculated based on prior year AADA  
 7 plus growth.

8 (3) The FSPK eligibility calculation shall be as follows:

9 (a) The [~~total~~] revenue available for debt service shall be the amount generated by the  
 10 required [~~a five (5) cent equivalent~~] tax levy under KRS 157.440 [~~620(1)(a)~~].

11 (b) The debt service amount needed for equalization shall be the total revenue available for  
 12 debt service minus the total current year debt service (from school district's outstanding  
 13 school revenue bond issues).

14 (c) If the calculation in paragraph (b) of this subsection is a positive amount, the district  
 15 shall not be eligible for equalization.

16 (4) Once a school district has been determined eligible for state FSPK funds, the state  
 17 equalization calculation shall be as follows:

18 (a) The per pupil state equalization amount shall be the maximum eligibility amount (which  
 19 is the state equalization amount times the required tax levy under KRS 157.440.[[0005]])  
 20 minus the local effort (which is the per pupil assessment times the required equivalent tax  
 21 levy under KRS 157.440.[[0005]]).

22 (b) The prorated state FSPK amount shall be:

23 1. The per pupil state equalization times;

- 1    2. The prior year AADA plus growth times;
- 2    3. The pro rata adjustments due to an appropriation in the biennial budget.